

Meeting of:	Learning and Culture Scrutiny Committee
Date of Meeting:	Thursday, 10 December 2020
Relevant Scrutiny Committee:	Learning and Culture
Report Title:	Initial Revenue Budget Proposals 2021/22
Purpose of Report:	To submit for consultation the initial revenue budget proposals for 2021/22.
Report Owner:	Report of the Director of Learning and Skills
Responsible Officer:	Carys Lord, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	The Corporate Management Team has been consulted on this report. The initial budget proposals will be the subject of consultation with Scrutiny Committees. The Trade Unions and Schools Forum will also be consulted.
Policy Framework:	This report is for Executive decision by the Cabinet
Executive Summary:	
<ul style="list-style-type: none"> • The Council is required under statute to fix the level of council tax for 2021/22 by 11th March 2021 and in order to do so, will have to agree a balanced revenue budget by that date. • The Council's provisional settlement has not yet been announced by Welsh Government and is expected this year on 22nd December 2020 with the final settlement being due on 2nd March 2021. Even though this crucial information has not been received, the budget setting and consultation process has to commence in order to meet statutory deadlines. 	

Recommendation

It is recommended that:

1. The Initial Revenue Budget Proposals for 2021/22 be considered and any recommendations, including those related to cost pressures and savings, be passed to Corporate Performance and Resources Scrutiny Committee as the lead Scrutiny Committee.

Reason for Recommendation

1. In order that Cabinet can consider the comments of Scrutiny Committees and other consultees before making a final proposal on the budget.

1. Background

- 1.1 The Council's budget is determined largely by the settlement provided by the Welsh Government (WG). The Council's provisional settlement has not yet been announced by WG. In previous years, the provisional settlement was received during October with the final settlement being received in December. The provisional settlement is expected this year on 22nd December 2020 with the final settlement due to be received on 2nd March 2021.
- 1.2 The Council is required under statute to fix the level of council tax for 2021/22 by 11th March 2021 and in order to do so, will have to agree a balanced revenue budget by the same date. To be in a position to meet the statutory deadlines and the requirements for consultation set out in the Council's Constitution, much of the work on quantifying the resource requirements of individual services needs to be carried out before the settlement is notified to the Council.
- 1.3 The Council normally produces the Medium Term Financial Plan during September/October. However, it was considered beneficial to review the timing of the production of the Plan and to include it as part of the Initial Budget Proposals report, as it sets the context for the budget setting process and links the Council's strategic planning process with the budget process ensuring consistency between them.

2. Key Issues for Consideration

Medium Term Financial Plan

- 2.1** There are a number of factors both internal and external that impact on the Council's financial position going forward. This year the country has found itself in an unprecedented position as a result of the COVID-19 pandemic. This has meant additional challenges for the Council both operationally and financially as a result of incurring additional expenditure but also from a loss of income. The lockdown in the early part of the financial year and a firebreak lockdown in place for 2 weeks during October/November 2020 has led to the Council having to refocus its priorities to provide services in a different way, moving a large number of staff to home working and also to providing some additional services and temporarily ceasing others. There is huge uncertainty as to how the picture will develop over the coming months and therefore it is even more difficult than usual to provide predications for the coming year and beyond. Funding has been received from WG to help support not only the additional expenditure incurred due to the pandemic but also the loss of income.
- 2.2** Due to the considerable uncertainty and the financial pressures on government, the Plan has been based on three different scenarios with regards to funding from Welsh Government for the coming three financial years - a cash neutral settlement, a 1% reduction each year and a 1% increase each year. It may be the case that grant funding is provided going forward targeting specific service areas or initiatives.
- 2.3** As part of the development of the Plan departments were asked to identify cost pressures facing services in order to build up a complete and up to date picture of the financial position of the Council. An updated list relating to this Committee is shown in Appendix 1. These are not shown in any order of priority.
- 2.4** There are currently no savings targets identified for this Committee for 2021/22.
- 2.5** For the purposes of the Plan, options for the level of council tax have been highlighted. With the current level of cost pressures facing the Council and without a corresponding increase in funding from the Welsh Government, it is predicted that in order to balance the budget an increase in council tax of at least a similar level to 2020/21 will be required.
- 2.6** The scenarios that have been modelled relating to Council Tax are a 4.9% increase each year, which is the same level as in 2020/21 and increasing the level to the welsh average which would be 8.4% in 2021/22 and an increase thereafter of 4.6% to maintain the average, assuming the same increase as the welsh average for 2020/21.

2.7 The following table shows the shortfall in funding for each of these scenarios.

Shortfall in Funding	2021/22 £000	2022/23 £000	2023/24 £000	3 Year Total £000
Cash Neutral Settlement				
Notional Council Tax Increase 4.9%	11,203	6,200	4,252	21,655
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter)	8,423	6,305	4,373	19,101
1% Reduction in Settlement				
Notional Council Tax Increase 4.9%	12,813	7,794	5,830	26,437
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter)	10,033	7,899	5,951	23,883
1% Increase in Settlement				
Notional Council Tax Increase of 4.9%	9,593	4,574	2,609	16,776
Notional Council Tax Increase to Welsh Average (8.4% 21/22 & 4.6% thereafter)	6,813	4,679	2,730	14,222

2.8 A 1% increase in Council Tax at the 2020/21 Council Tax base equates to £794k. The level of increase in Council Tax will need to be carefully considered in parallel with the other options available to the Council in order to reduce the funding gap and to consider the impact on the residents of the Vale. As the number of households in the Vale of Glamorgan has increased from the previous year there may also be additional funding from the change in the Council Tax base.

2.9 In the Plan, consideration has also been given to changes in the Council Tax Collection rate due to the reduction as a result of the COVID-19 pandemic. If this rate was to reduce by 1% the impact in 2021/22 would be a potential shortfall ranging from £7.696m with a 1% increase in WG settlement and a Council Tax increase at the Welsh average to £13.667m with a 1% reduction in WG settlement and a 4.9% Council Tax increase across the period.

2021/22 Initial Budget Proposals

2.10 Cabinet approved the Budget Strategy for 2021/22 on the 27th July 2020, min no.C309 which outlined the timetable, methodology and the principles to be used in producing the base budget for 2021/22.

- 2.11** Given the timescales set out in the Budget Strategy this means a significant amount of the preparation for the budget will need to be completed prior to receiving the provisional settlement.
- 2.12** The late timescale for receiving the settlement also delays the notifications that the Council receives regarding continuation of grant funding. In line with the Budget Strategy, the withdrawal or reduction in grant funding should not give rise to committed growth within the budget. The service area should give consideration to the exit strategy that has been put in place in respect of the funding stream.
- 2.13** A summary of the overall base budget for 2021/22 for this Committee is attached at Appendix 2. This has been derived by adjusting the 2020/21 budget for items such as pay inflation and committed growth but does not include identified cost pressures or savings. These are shown as a note to the table. Adjustments shown include the following.
- Asset Rents, International Accounting Standard (IAS) 19 - Relates to accounting items outside the control of services. They reflect charges to services for the use of capital assets and adjustments in respect of pensions to comply with accounting standards.
 - Recharges/Transfers - Relates to changes in inter-service and inter Directorate recharges
 - Pay Inflation - This makes provision for pay awards in 2021/22.
- 2.14** In view of the deficit highlighted in the Medium Term Financial Plan, further work needs to be undertaken by the Budget Working Group (BWG) in order to achieve a balanced budget for the final budget proposals for 2021/22. This will include the following
- Consideration of the results of the consultation process;
 - A review of the use of reserves to fund the deficit in the short term;
 - A review of the level of individual reserves and potential reclassification;
 - A review of the increase in council tax;
 - A review of all cost pressures;
 - Possible changes to the approved saving targets; and
 - Consideration of the inflation assumptions

Next Steps

- 2.15** The next stage is for the outline of the financial position for 2021/22 to be submitted to Scrutiny Committees for consultation. Committees are asked to review the level of cost pressures with a view to suggesting ways in which these

could be managed downwards and/or mitigated and to consider proposals for savings. Corporate Performance and Resources Scrutiny Committee is the lead Scrutiny Committee and will consider both the Initial Revenue Budget Proposals and any recommendations that other Scrutiny Committees have made. The responses of Scrutiny Committee must be made no later than the 16th December 2020.

- 2.16** The BWG will hold a series of meetings in November and December 2020ⁱ with the relevant Cabinet Members and officers to consider the budget proposals and they will submit their recommendations so that the Cabinet may make its final budget proposal. Before making its recommendation, the BWG will consider the comments made by Scrutiny, together with the results of consultation. Currently, the approved timetable requires Cabinet to approve the final budget proposals by no later than 8th February 2021 and that Cabinet's final budget proposals will be considered by Council at a meeting to be held 1st March 2021 to enable the Council Tax to be set by 11th March 2021. Due to the late announcement of the final settlement it is proposed that the approved timetable is reviewed to ensure decisions regarding the budgets for 2021/2022 can be fully informed by the funding levels available.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The BWG will ensure that budget proposals consider the requirements of the Well-being of Future Generations Act and the Council's 4 well-being outcomes as detailed in the Corporate Plan.

- 3.2** The Budget Working Group will also ensure that the budget proposals reflect the 5 ways of working which are;

o Looking to the long term - The budget proposals are a means of planning for the future and take a strategic approach to ensure services are sustainable and that future need and demand for services is understood.

o Taking an integrated approach - The budget proposals highlight and encourages ways of working with partners.

o Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.

o Working in a collaborative way – The budget proposals recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.

o Understanding the root cause of issues and preventing them – The budget

process is proactive and allows an understanding of the financial position so that issues can be tackled at the source.

4. Resources and Legal Considerations

Financial

- 4.1** Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. Funds no longer required may be transferred to the Council Fund and then set aside for other purposes or used to reduce council tax.
- 4.2** Appendix 3 sets out the actual reserves as at 31st March 2020 for this Committee and shows the estimated reserves balance for each year up to 31st March 2024.

Employment

- 4.3** Not all the savings required to meet the shortfall in funding will result in a reduction in staffing. Although the impact on individuals is likely to be mitigated as a result of natural wastage and the deletion of vacant posts, it is, nevertheless, expected that there will be a number of redundancies. The trade unions will be consulted on the details of any possible redundancies once known. Staffing implications relating to budget pressures within schools will need to be considered by individual governing bodies.

Legal (Including Equalities)

- 4.4** The Council is required under statute to fix its council tax by 11th March 2021 and in order to do so will have to agree a balanced revenue budget by the same date.
- 4.5** These initial budget proposals have due regard to the requirements of the Council's Strategic Equality Plan including the Equalities Act 2010 and Public Sector Equality Duty for Wales. The subsequent development of individual strategies for achieving savings will require the completion of Equality Impact Assessments. This involves systematically assessing the likely (or actual) effects of policies on individuals who have a range of protected characteristics under the Act.

5. Background Papers

- 5.1** Budget Strategy 2021/22.

No.	Description	2021/22	2022/23	2023/24
		£'000	£'000	£'000
Directorate: Learning and Skills				
Schools				
1	Demographic Increase in Mainstream Schools - Estimated increase in funding to reflect the increase in pupils reflected in the WG settlement.	1,128	1,128	1,000
2	ALN Support in Mainstream Primary and Secondary Schools - Increase in the number of pupils required Additional Learning Needs support in Mainstream settings.	505	0	0
3	Demographic Increase in Pupils in Ysgol Y Deri - There is a demographic increase in the number of Vale pupils requiring specialist school placements each year over those leaving the provision at school leaving age.	843	639	224
4	Establish Specialist Resource Base at Whitmore High School - Establish a Specialist Resource Base (SRB) attached to a mainstream secondary school at Whitmore High School to provide additional support for pupils with Autism Spectrum Disorder whilst ensuring they can access mainstream secondary education.	176	108	77
Total Schools		2,652	1,875	1,301
Non Schools				
5	Early Years ALN Lead Officer - Establish a new statutory post of Early Needs Additional Learning Needs Officer as required by forthcoming Welsh Government Additional Learning Needs reform.	60	0	0
6	Early Years Provision - Funding for Additional Learning Needs support for very young children in pre-school settings as required by Welsh Government Additional Learning Needs reform.	75	100	0
7	Reduction in Out Of County Income - Reduction in the capacity to offer places at Ysgol Y Deri to pupils from other authorities.	147	412	0
8	Complex Needs Placements in other Authorities and Independent Schools - Additional funding required for specialist provision for children and young people with significant social emotional and mental health difficulties requiring specialist provision and for alternative placements to help manage the pressure on places at Ysgol Y Deri.	140	160	0
9	21st Century Schools - Monies required to finance loans that will be raised to fund capital expenditure	38	115	102
Total Non Schools		460	787	102
Total Learning and Skills		3,112	2,662	1,403

	Original Budget 2020/21 £'000	Asset Rents/ IAS 19 £'000	Base Budget 2020/21 £'000	Rechgs/ Transfs £'000	Budget Adjustment £'000	Pay Inflation £'000	Base Estimate 2021/22 £'000	Savings Applied £'000	Cost Pressures £'000
Learning and Skills									
Schools	93,950	0	93,950	0	24	2,512	96,486	0	2,652
Strategy, Culture, Community Learning and Resources	11,344	(2,948)	8,396	(222)	(37)	91	8,228	0	38
Additional Learning Needs and Wellbeing	2,921	2	2,923	(2)	(271)	66	2,716	0	422
Standards and Provision	4,080	0	4,080	(30)	284	80	4,414	0	0
Directors Office	231	0	231	0	0	5	236	0	0
Total Learning & Skills (Excluding Schools)	18,576	(2,946)	15,630	(254)	(24)	242	15,594	0	460

ANALYSIS OF RESERVES**APPENDIX 3**

Name	Bal	In	Out	Est	Comments	Est	Est	Est
	01/04/20			Bal		31/03/22	31/03/23	31/03/24
	£000	£000	£000	£000		£000	£000	£000
Learning and Skills								
Schools Rationalisation and Improvements	533	0	-265	268	This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities including the transition of Barry Secondary schools.	134	0	0
Education Pressures	452	0	-250	202	To fund pressures faced by Learning and Skills.	202	202	202
School Deferred Pensions	319	10	0	329	To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years.	329	329	329
Sports Facilities	6	0	0	6	Funding transferred from Pen y Garth Primary School in order to provide a budget to fund ad hoc repairs and maintenance required to sports hall.	6	6	6
Library Fund	151	0	-50	101	To finance the improvement of Library services. £50k required in 2020/21 to matchfund the Penarth Library MALD capital project.	101	101	101
Adult Community Learning	75	0	0	75	To finance initial reshaping costs as a result of the anticipated changes in the way adult learning is funded across Wales.	75	75	75
Community For Work Exit Strategy	32	16	0	48	To pay potential redundancy costs if Welsh Government grants were discontinued.	48	48	48
Youth Service	81	0	-32	49	To assist with the implementation of the Youth Engagement & Provision Framework in schools as well as initial costs in relation to the reshaping of the Youth service. The reserve will be used to purchase a bus for the Youth service during 20/21. The remaining balance will be required to matchfund the Inspire to Work ESF project.	25	0	0
Catering	117	0	0	117	To support any issues relating to the Catering trading company.	117	117	117
Catering Equipment Renewals	33	0	0	33	Repairs and renewal fund for catering equipment in Schools.	33	33	33

ANALYSIS OF RESERVES**APPENDIX 3**

Name	Bal 01/04/20 £000	In £000	Out £000	Est Bal 31/03/21 £000	Comments	Est Bal 31/03/22 £000	Est Bal 31/03/23 £000	Est Bal 31/03/24 £000
Capital								
School Investment Strategy	9,090	267	-1,809	7,548	To be used to fund schemes identified as part of the Schools Investment Programme including the Band B 21st Century School programme.	2,078	1,176	399
WG Schools Capital Grant 2018-19	185	0	-185	0	A £1.765m grant was received from WG and was used to displace existing capital spend in 2018/19. An equivalent sum is being carried forward through this reserve to fund capital expenditure relating to schools.	0	0	0
WG Schools Capital Grant 2019-20	1,905	0	-1,905	0	A £1.905m grant has been awarded by WG and is being used to displace existing capital spend in 2019/20. An equivalent sum is being carried forward through this reserve into 2020/21 to fund capital expenditure relating to schools.	0	0	0
COMMITTEE TOTAL	12,979	293	-4,496	8,776		3,148	2,087	1,310